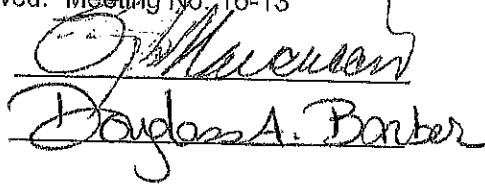


Approved: Meeting No. 16-13

Attest:

  
Douglas A. Barber

MAYOR AND COUNCIL  
ROCKVILLE, MARYLAND

February 4, 2013  
Meeting No. 05-13  
7:00 p.m.

**Re: Executive Session pursuant to Section 10-508(a)(7) and (8) of the State Government Article of the Annotated Code of Maryland to consult with counsel to obtain legal advice; and to consult with staff, or other individuals about pending or potential litigation (Alley Abandonment).**

The Mayor and Council met in Executive Session on Monday, February 4, 2013, at 5:32 p.m. in the Diamondback Terrapin Conference Room, City Hall, 111 Maryland Avenue, Rockville, Maryland

Councilmember Newton made the motion to convene in Executive Session and it was seconded by Councilmember Moore and unanimously passed.

Present at the Executive Session were Mayor Phyllis Marcuccio, Councilmember John F. Hall, Jr., Councilmember Tom Moore, Councilmember Bridget Donnell Newton, and Councilmember Mark Pierzchala. Also present were City Manager Barbara Matthews, Assistant City Manager Jenny Kimball, City Attorney Debra Daniel, Assistant City Attorney Payman Tehrani, City Clerk Doug Barber, Director of Public Works Craig Simoneau, Chief of Engineering Susan Straus, and City Engineer Mary Fertig.

The topic of discussion was Alley Abandonment.

The Mayor and Council adjourned the Executive Session at 7:06 p.m.

**Present:**

Mayor Phyllis Marcuccio, Councilmember John F. Hall, Jr., Councilmember Tom Moore, Councilmember Bridget Donnell Newton, and Councilmember Mark Pierzchala

**Staff Present:**

City Manager Barbara Matthews, City Clerk/Treasurer Doug Barber, and City Attorney Debra Daniel.

**1. Convene**

The Mayor and Council convened in a regular meeting at 7:00 p.m. on Monday, February 4, 2013, in the Mayor and Council Chambers, City Hall, 111 Maryland Avenue, Rockville, Maryland.

**2. Pledge of Allegiance**

Mayor Marcuccio led the Pledge of Allegiance.

**3. Agenda Review**

City Clerk Doug Barber reported that the Board of Supervisors of Elections presentation has been rescheduled for the meeting of February 11, 2013.

**4. City Manager's Report**

There was no City Manager's Report.

**5. Appointments/Reappointments and Announcements of Vacancies**

**Motion:** to appoint Bruce Abram to Senior Citizens Commission as a member until 01/01/16.

Moved by Councilmember Bridget Donnell Newton, seconded by Councilmember Mark Pierzchala and unanimously approved.

**6. Presentation - Recognition of Major Donors and Partners of the City of Rockville's Holiday Drive**

Carlos Aparicio, Community Services Manager, presented this item to the Mayor and Council. He said that as a result of contributions from 132 individuals and businesses, more than \$50,000 in food, cash, toys, and gift cards was raised for the 2012 Rockville Holiday Drive. Mr. Aparicio mentioned the many volunteers and sponsors for the Holiday Drive including: Manna Food Center, Rockville Church of Christ, Montrose Baptist Church, CAS & Associates, Inc. and St. Mary's Church, Robert Frost Middle School, Christ Episcopal School, Maryvale Elementary School, Franklin Montessori, Richard Montgomery High School, St. Mary's School, Children's Manor Montessori School, Lakewood Elementary School and College Gardens Elementary School.

**7. Citizen's Forum**

*Citizen*

*Issue*

Joe Lynott, Esquire

On behalf of Joe and Sue Adams regarding the Anderson Alley Abandonment

Sue Adams

Anderson Alley Abandonment

**8. Mayor and Council's Response to Citizen's Forum and Announcements**

There were no comments from the Mayor and Council in response to Citizens' Forum.

**9. Mayor and Council Reports**

Councilmember Pierzchala reported that he went on a police ride-a-long and recommends this to anyone who is interested in knowing exactly how the police operate.

**10. Consent Agenda**

- A. Award of Rider Contract under Baltimore County Contract #B437, On-Call Design-Build Environmental Restoration, in an Amount Not to Exceed \$1,000,000 through November 21, 2016, to Perform Routine Maintenance on Public Stormwater Management Facilities and to Remove Non-Native Invasive Plants on City Property.

**Motion:** to award the Rider Contract under Baltimore County contract #B437, On-Call Design-Build Environmental Restoration, in an amount not to exceed \$1,000,000 through November 21, 2016, to perform routine maintenance on public stormwater management facilities and to remove non-native invasive plants on City Property.

Moved by Councilmember John F. Hall, Jr., seconded by Councilmember Tom Moore and unanimously approved.

- 11. Adoption of Bond Ordinance to Authorize the Competitive Sale of Tax-Exempt 2013A General Obligation Bonds in an Amount not to Exceed \$20,000,000 for the Purpose of Financing the Construction of Water, Sewer, and Stormwater System Improvements as Reflected in the City's FY 2013 Capital Improvement Program (CIP) and Related Issuance Costs.**

**Motion:** to adopt bond ordinance to authorize the competitive sale of tax-exempt 2013A general obligation bonds in an amount not to exceed \$20,000,000 for the Purpose of Financing the Construction of Water, Sewer, and Stormwater System Improvements as Reflected in the City's FY 2013 Capital Improvement Program (CIP) and Related Issuance Costs.

Moved by Councilmember Mark Pierzchala, seconded by Councilmember John F. Hall, Jr. and unanimously approved.

- 12. Adoption of Bond Ordinance to Authorize the Competitive Sale of Tax-Exempt 2013B General Obligation Bonds in an Amount not to Exceed \$7,000,000 for the Purpose of Refunding Outstanding Debt Previously Issued in 2003 and Related Issuance Costs.**

**Motion:** to adopt bond ordinance to authorize the Competitive Sale of Tax-Exempt 2013B General Obligation Bonds in an Amount not to exceed \$7,000,000 for the Purpose of Refunding Outstanding Debt previously issued in 2003 and Related Issuance Costs.

Moved by Councilmember John F. Hall, Jr., seconded by Councilmember Mark Pierzchala and unanimously approved.

- 13. Discussion and Instructions- Creation, Structure, and Duties of a Financial Advisory Board.**

Mayor Marcuccio suggested that each member of the Council take about five minutes to express their thoughts and views on the creation of a Financial Advisory Board.

Councilmember Pierzchala wanted to be sure enough time would be afforded to allow for a high level of discussion.

Using the document created by Councilmember Newton and initially distributed on December 10, 2012, the Mayor and Council went through each page and provided their suggested edits. At the end of the discussion, there was agreement to have staff capture the edits and reflect them in a new document that would be voted on at the Mayor and Council meeting on February 11, 2013. All the edits discussed during the course of this conversation can be found under Item no. 14, Attachment A on the February 11<sup>th</sup> agenda of the Mayor and Council.

**14. Review and Comment Regarding Mayor and Council Action Report**

Regarding the Town Square Merchant's meeting and construction in the Regal Row Parking Lot, Councilmember Newton said that the Mayor and Council do not need to send a letter and in fact have been requested not to. Councilmember Moore inquired whether or not some of the circle on Monroe Street can be used for parking. Ms. Kimball said that due to the location of the Circuit Court, they will likely not allow parking but she will get a definitive answer from County.

**15. Review and Comment Regarding Future Agendas**

In view of the many changes that will be taking place in connection with the upcoming Hometown Holidays, Councilmember Newton requested that this item be added to an agenda for discussion. Councilmember Newton also requested that the Town Center Text Amendment be introduced and adopted at the same time. Councilmember Pierzchala requested that the Anderson Alley Abandonment come back sooner rather than later. Councilmember Moore asked about the status of the Raskin Ethics Bill and City Attorney Daniel responded that there is not a formal bill yet and the Mayor and Council should delay this until a bill is actually introduced.

**16. Old/New Business**

Regarding the Final Report of the Charter Review Commission, Councilmember Pierzchala asked that it include an appendix that would contain the Commission's discussion and recommendations as to how they arrived at the final document. Councilmember Pierzchala said there is considerable value in having this type of information as it does not necessarily always come through in the Report. Councilmember Moore said we should find out from the Commission if they are comfortable with releasing the extra context and City Attorney Daniel said that staff would mention this to the Commission at their next meeting. Councilmember Pierzchala referenced an article he had seen recently in the Washington Post concerning deer control and the use of contraception as a means to control deer overpopulation. He asked that staff take another look on the viability of contraception as a way to reduce the deer population in Rockville through nonviolent means, noting that the Rockville Task Force on Deer Control did not seem to think contraception was a good way to go. Councilmember Newton said that she would like to add a conversation to an agenda on the affect that GASBE 67 and 68 might have to the City's general fund and reserves.

**17. Adjournment**

There being no further business, the meeting adjourned at 12:22 a.m.

**Motion:** to adjourn.

Moved by Councilmember John F. Hall, Jr., seconded by Councilmember Bridget  
Donnell Newton and unanimously approved.

## Mayor and Council

**For the meeting on:** February 4, 2013  
**Department:** City Manager  
**Responsible staff:** Barbara B. Matthews, City Manager  
phone: (240) 314 - 8102  
BMatthews@rockvillemd.gov

**Subject**

Creation, Structure, and Duties of a Financial Advisory Board

**Recommendation**

Staff recommends that the Mayor and Council continue its deliberations regarding the establishment of a Financial Advisory Board and determine how it wishes to proceed.

Should the Mayor and Council move forward with establishing a Financial Advisory Board, staff recommends that its role and duties be clearly defined to ensure a positive volunteer experience for its members and so that the Board serves as a valuable resource for the City.

Additionally, staff recommends that the establishment of any Board be formalized in the City Code or, alternatively, by resolution.

**Discussion**

On June 11, 2012, the Mayor and Council discussed a proposal from Councilmember Newton to establish a Financial Advisory Board. A decision was subsequently made to continue the consideration of the proposed Board after the new City Manager joined the Rockville staff on October 1, 2012.

The Mayor and Council continued their discussion on whether or not to establish a Financial Advisory Board on December 3, 2012. They voted to approve the concept of a Board and requested that Councilmember Newton revise her proposal with a justification for each item contained therein.

To support the Mayor and Council's future discussions of this matter, the City Manager directed staff to research how similar boards and committees in other communities were structured. This research found that such boards and committees generally had a budgeting focus or, alternatively, functioned as audit committees.

Based on this research, the Mayor and Council's discussion of June 11, 2012, and the financial work products produced by the City's Finance Department, the City Manager provided Councilmember Newton with suggestions as to how a Financial Advisory Board could be structured, should the Mayor and Council decide to move forward with its establishment. These suggestions were informational in nature, as staff does not have a position on the creation, structure, and duties of a Financial Advisory Board. Attachments B, C, D, and E reflect correspondence between the City Manager and Councilmember Newton.

Attachment A reflects the revised proposal prepared by Councilmember Newton in response to her colleagues' request of December 3, 2012. It was discussed by the Mayor and Council on December 10, 2012. Staff was directed to schedule a public hearing to obtain public input on the creation of a Financial Advisory Board.

Attachment F is Councilmember Pierzchala's analysis of the December 10, 2012 proposal for a Financial Advisory Board.

Councilmember Moore has suggested an alternative structure for the proposed Financial Advisory Board. This alternative is outlined in Attachment G.

**Mayor and Council History**

The Mayor and Council's first formal discussion of a Financial Advisory Board was held on June 11, 2012. A decision was subsequently made to continue the consideration of the proposed Board after the new City Manager's arrival.

The Mayor and Council discussed this matter again on December 3, 2012. They voted to approve the concept of a Board and requested that Councilmember Newton revise her proposal with a

justification for each item contained therein.

The Mayor and Council discussed Councilmember Newton's revised proposal on December 10, 2012.


A public hearing was held on Monday, January 14, 2013. Seven individuals testified at the public hearing. The public hearing record was held open for written comment until 5:00 p.m. on Friday, January 25, 2013.



Mayor and Council agenda items for the June 11, December 3, and December 10, 2012 meetings and the January 14, 2013 public hearing are available on the web at <http://www.rockvillemd.gov/government/mc/index.htm>.


### Next Steps


Once the Mayor and Council agree on whether or not to move forward with the creation of a Financial Advisory Board and determine its structure and duties, staff will begin the process of seeking applicants for the new Board. Applicants will be solicited via Rockville Reports, Rockville 11, Facebook, and other appropriate City communication tools. Following a review of applications, appointments to the Board will be made on a future Mayor and Council agenda.

### Attachments

  
[Attachment A Final Proposal by Councilmember Newton.pdf](#)

  
[Attachment B Email of Dec 5 at 3.55 PM.pdf](#) [Attachment C email of Dec 5 at 5.12 PM.pdf](#)

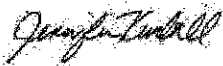
  
[Attachment D email of Dec 6 at 12.45 PM.pdf](#)

  
[Attachment E Draft Proposal by Councilmember Newton.pdf](#)

  
[Attachment F - MMP Review of Proposal Ver 2.pdf](#)

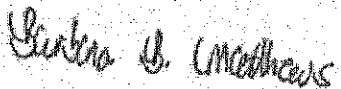
  
[Attachment G - Proposal for a Financial Advisory Board - Councilmember Moore.pdf](#)

Assistant City Manager:



Jenny Kimball, Assistant City Manager  
Approved on: 01/30/2013

City Manager:



Barbara B. Matthews, City Manager  
Approved on: 01/30/2013

**Proposal by Councilwoman Bridget Donnell Newton  
for the Establishment of a Financial Advisory Board**

**For the meeting to be held December 10<sup>th</sup> 2012**

**Purpose:** The Purpose of the Financial Advisory Board ( the Board ) is to provide additional resources to the Mayor and Council when conducting their fiduciary responsibility in overseeing the financial governance of the City by reviewing current financial policies, procedures, and documents relating to City finances and making recommendations to the Mayor and Council.

**Rationale:** Management of the City's financial affairs and reporting mechanisms have been well regarded and recognized within the financial community of government watch groups. However, the City faces headwinds stemming from revenue declines and cost increases many of which are outside of the City's control, such as declining property values, increasing employee benefit expenses as well as significant under-funded retiree and employee pension and medical benefit plans. ( It should be noted that at some point in the near future the City may be required to accrue for the underfunded benefit plans which would have a materially negative effect on the City's Balance Sheet, which in turn could jeopardize the City's coveted AAA rating. ) Managing these headwinds will result in difficult choices as well as require a financial skill set with experience in creatively dealing with budget deficits to assure our citizens that we deliver the basic services as well as the amenities they have become used to receiving, all at an affordable level. Currently the Mayor and Council receive budget proposals from the skilled financial staff of the City who prepare them. The Council and staff would be well served, at little expense, by a body of stakeholders who possess the required skills, to receive advice, suggestions, and comments, assisting the Mayor and Council in evaluating the proposed budget and possibly providing insight into various alternatives.

The Mayor and Council are given financial information and instruction throughout the year that is tailored to their time constraints and knowledge base. A standing body of qualified members whose focus is purely financial and whose term overlaps those of the Council members could devote more time and could review on a more detailed basis quarterly financial information, bonding requests, economic incentive offers, create a knowledge base of surrounding jurisdictions' approaches to financial affairs and policies, and act on any other financial matter that the Mayor and Council may direct, serving to augment the knowledge of the Mayor and Council and possibly provide supplemental material in concert with the finance staff.

**Goals:** The goals of the Financial Advisory Board are to achieve the stated purpose of assisting the Mayor and Council regarding financial matters.

**Board Duties and Responsibilities:** The Financial Advisory Board would provide a written narrative in the form of minutes of its meetings as well as related reports that it believes will assist the Mayor and Council. Where no specific action items exist, the Board minutes can serve as the report to the Mayor and Council. The format of any reports would be decided by the Board. It would also be provided time, as requested and is available, to orally present to the

stakeholder presence, ideally with at least one member from the Rockville business community. One member shall be a Certified Public Accountant licensed to practice or retired, at least one other shall have experience with financial matters related to larger employers or governmental agencies and all members shall demonstrate experience directly in, or related to finance or accounting. Additionally, Board members should be able to read and understand governmental financial statements sufficiently to be able to recognize inconsistencies and report on variances that require explanation and reporting to the Mayor and Council.

**Staffing:** The Board will be staffed by a member of the City's Finance Department.

**Time Commitment:** The Board shall meet at least quarterly at City Hall. The Board may meet more frequently as needed by the Mayor and Council for special assignments or projects. Depending on the topic under review, there may be additional sub-committee time commitment necessary.

ATTACHMENT B

**From:** Barbara B. Matthews/RKV  
**To:** Bridget Newton/RKV@RKV

**Date:** Wednesday, December 05, 2012 03:55PM  
**Subject:** Financial Advisory Board

**History:** \* This message has been replied to and forwarded.

---

Hi, Bridget:

The attached outlines my thoughts as well as Gavin's regarding scope of responsibilities, qualifications for membership, and reporting. I hope you find these suggestions helpful.

In the "Next Steps" notes, you'll see that I'm recommending that the establishment of this Board be formalized in the City Code. As a matter of practice, I believe that any statutory commission should be codified.

I'll be checking my e-mails while I'm away so don't hesitate to send me any questions you have about these suggestions.

Thanks,

Barb

\_\_\_\_\_ (See attached file: *Financial Advisory Board (Staff Comments).docx*)

Barbara B. Matthews  
City Manager  
City of Rockville  
111 Maryland Avenue  
Rockville, MD 20850-2364  
Phone: 240-314-8102  
Fax: 240-314-8130

Attachments:

Financial Advisory Board (Staff Comments).docx

## Financial Advisory Board (Board) . . . . .

### **Purpose:**

The Financial Advisory Board reviews current financial policies, procedures, and documents relating to City finances and makes recommendations to the Mayor and Council for improving the City's overall financial condition.

### **Membership:**

The Board consists of five members who are appointed by the Mayor and Council. The term of each member once appointed is three years. The Board Chair shall be selected by the Board. Board members must be residents or business owners within the corporate boundaries of Rockville.

### **Time Commitment:**

The Board shall meet at least quarterly at City Hall. The Board may meet more frequently as needed by the Mayor and Council for special assignments or projects. Depending on the topic under review, there may be additional sub-committee time commitment necessary.

### **Qualifications:**

Due to the technical nature required to advise the Mayor and Council on financial matters, Board members must possess the following qualifications:

1. At least one Board member should be a practicing or retired Certified Public Accountant with governmental experience with jurisdictions of similar size as the City of Rockville.
2. The remaining Board members are to be "financially literate." More specifically, they must have either a bachelor's degree in accounting or business administration; or three to five years financial or accounting experience. Additionally, Board members should be able to read and understand governmental financial statements sufficiently to be able to recognize inconsistencies and report on variances that require explanation and reporting to the Mayor and Council.

### **Staffing:**

The Board will be staffed by a member of the City's Finance Department.

### **Board Duties and Responsibilities:**

- Based on financial considerations, review and evaluate any program or proposal for long- and short-term financial consequences as requested by the Mayor and Council. The Board will be expected to analyze, research, and assess alternatives and make appropriate recommendations to the Mayor and Council.
- Annually review the City's Comprehensive Annual Financial Report (CAFR), Single Audit Report, and all other reports issued by the auditors. The review should encompass and include a management letter and any audit findings.

## FINANCIAL ADVISORY BOARD

PAGE 2 Of 2

- Annually review the City's Financial Management Policies published in the City's budget document to ensure Policy standards are being adhered to and are current and represent best management practices.
- Annually review the City's investment policy to ensure policy standards are being adhered to and are current and represent best management practices.
- On a quarterly basis, review the City's cash and investment report when published to ensure compliance with the City's Investment policy.
- Review the City's quarterly financial reports to ensure spending and revenue collection are tracking with adopted and amended budgets, analyzing variances, and highlighting problem areas, and review the City's debt ratio's to ensure compliance with Mayor and Council policies on debt.
- On an annual basis, report on the City's financial condition and make recommendations for improvement based on research of benchmarks and parameters of jurisdictions similarly situated.

### **Communication with Mayor and Council:**

The Board should provide written reports to the Mayor and Council based on its analysis, review, and research after its meetings where specific recommendations are being made for improvements for Mayor and Council consideration. These reports should be timely to assist and inform the Mayor and Council's decision making. Where no specific action items exist, the Board minutes can serve as the report to the Mayor and Council.

NEXT STEPS: M&C to vote and approve the BOARD

Attorney to bring back necessary Code change

ATTACHMENT C

**From:** Bridget Newton/RKV  
**To:** Barbara B. Matthews/RKV@RKV

**Date:** Wednesday, December 05, 2012 05:12PM  
**Subject:** Re: Financial Advisory Board

Hi Barb - after reading your email, I thought I should send what I have so far. I am very pleased as they appear to be very similar. In an attempt to satisfy Mark's concerns, I followed the format of his Task Force and incorporated language in the section titled "Need" to provide justifications for such a body.

While I appreciate your suggestion of incorporating this as part of the code - given the significant delay this item has already incurred - I am reluctant to add that wrinkle at this time. Perhaps we could add that step at a later date when codifying other boards and commissions as many of our current B's and C's are not mentioned in the code.

Please review and let me know if we can put the best of each into one - hopefully satisfying everyone.

Thanks again for all of your help with this!!

Sincerely-  
Bridget

Bridget Donnell Newton  
Councilmember -  
City of Rockville  
240-314-8293

-----Barbara B. Matthews/RKV wrote: -----

To: Bridget Newton/RKV@RKV  
From: Barbara B. Matthews/RKV  
Date: 12/05/2012 03:55PM  
Subject: Financial Advisory Board

Hi, Bridget:

The attached outlines my thoughts as well as Gavin's regarding scope of responsibilities, qualifications for membership, and reporting. I hope you find these suggestions helpful.

In the "Next Steps" notes, you'll see that I'm recommending that the establishment of this Board be formalized in the City Code. As a matter of practice, I believe that any statutory commission should be codified.

I'll be checking my e-mails while I'm away so don't hesitate to send me any questions you have about these suggestions.

Thanks,

Barb

\_\_\_\_\_(See attached file: Financial Advisory Board (Staff Comments).docx)

Barbara B. Matthews  
City Manager  
City of Rockville  
111 Maryland Avenue  
Rockville, MD 20850-2364  
Phone: 240-314-8102  
Fax: 240-314-8130

[attachment "Financial Advisory Board (Staff Comments).docx" removed by Bridget Newton/RKV]

Attachments:

Proposal by Councilwoman Bridget Donnell Newton.docx

**Proposal by Councilwoman Bridget Donnell Newton  
for the Establishment of a Financial Advisory Board**

**For the meeting to be held December 10<sup>th</sup> 2012**

**DRAFT**

**Purpose:** The Purpose of the Financial Advisory Board is to provide additional resources to assist the Mayor and Council in conducting, to the best of their ability, their fiduciary responsibility of overseeing the financial governance of the City.

**Need:** Management of the City's financial affairs and reporting mechanisms have been well regarded and recognized within the financial community of government watch groups. However the City faces headwinds stemming from revenue declines and cost increases many of which are outside of the City's control, such as declining property values, increasing employee benefit expenses as well as significant under-funded retiree and employee pension and medical benefit plans. ( It should be noted that at some point in the near future the City may be required to accrue for the underfunded benefit plans which would have a materially negative effect on the City's Balance Sheet, which in turn could jeopardize the City's coveted AAA rating. ) Managing these headwinds will result in difficult choices as well as require a financial skill set with experience in creatively dealing with budget deficits to assure our citizens that we deliver the basic services as well as the amenities they have become used to receiving, all at an affordable level. Currently the Mayor and Council receive budget proposals from the skilled financial staff of the City who prepare them. The Council and staff would be well served, at little expense, by a body of stakeholders who possess the required skills, to receive advice, suggestions, and comments, assisting the Mayor and Council in evaluating the proposed budget and possibly providing insight into various alternatives.

The Mayor and Council are given financial information and instruction throughout the year that is tailored to their time constraints and knowledge base. A standing body of qualified members whose focus is purely financial and whose term overlaps those of the Council members could devote more time and could review on a more detailed basis quarterly financial information, bonding requests, economic incentive offers, create a knowledge base of surrounding jurisdictions' approaches to financial affairs and policies, and act on any other financial matter that the Mayor and Council may direct, serving to augment the knowledge of the Mayor and Council and possibly provide supplemental material in concert with the finance staff.

**Goals:** The goals of the Financial Advisory Board are to achieve the stated purpose of assisting the Mayor and Council regarding financial matters.

**Deliverables:** The Financial Advisory Board would provide a written narrative in the form of minutes of its meetings as well as related reports that it believes will assist the Mayor and Council, all on a quarterly basis. The format of any reports would be decided by the Board. It would also be provided time, as requested and is available, to orally present to the Mayor and Council. The first item of business for the Board would be for all members to familiarize

themselves with the financial affairs of the City. Annually, but commencing in FY14, the Board would provide comments, suggestions and should it choose, recommendations regarding the next fiscal year's Operating and Capital budgets as well as five year projections, prior to their adoption. Commencing with its first meeting, and quarterly thereafter, it would provide any supplemental commentary it may chose to make, regarding the quarterly and annual financial reports provided by staff. As necessary the Board would review and report on bonding requests, practices and or policies of other jurisdictions as it relates to matters of concern by the Mayor and Council, or any other matter as may come before it by request from the Mayor and Council.

**Structure and Qualifications:** A five member board, appointed by the Mayor and Council, with staggered 3 year terms. The board would select its own Chairperson. The board would consist of at least three residents of the City and any two others who can demonstrate a stakeholder presence, ideally with at least one member from the Rockville business community that pays Rockville taxes or fees. Additionally one member of the finance staff would be assigned to assist the Board. The Board would meet a minimum of 4 times per year and on special occasions as needed. One member shall be a Certified Public Accountant licensed to practice or retired and no longer licensed, at least one other shall have experience with financial matters related to larger employers and all others shall demonstrate experience directly in, or related to finance or accounting.

ATTACHMENT.D

**From:** Bridget Newton/RKV  
**To:** Barbara B. Matthews/RKV@RKV...  
**Date:** Thursday, December 06, 2012 12:45PM  
**Subject:** Redline and Clean Drafts of Combined Proposal for FAB

---

Hi Barb - here are the drafts of the FAB proposal - one a redline of the combination of Staff's and mine and one a clean copy. I tried to take the best from each version and create a document that met the spirit and intent of the motion and the concerns of my fellow councilmembers. this is hot off the press - I will review when I return and await your comments.

See you in a few minutes !!  
Thanks-  
Bridget

Bridget Donnell Newton  
Councilmember  
City of Rockville  
240-314-8293

Attachments:

Combined clean copy Proposal by  
Councilwoman Bridget Donnell  
Newton12.6.12.docx

Combined redline Proposal by Councilwoman  
Bridget Donnell Newton12.6.12.docx

items exist, the Board minutes can serve as the report to the Mayor and Council. The format of any reports would be decided by the Board. It would also be provided time, as requested and is available, to orally present to the Mayor and Council. The first item of business for the Board would be for all members to familiarize themselves with the financial affairs of the City.

Thereafter the Board would :

- Based on financial considerations, review and evaluate any program or proposal for long- and short-term financial consequences as requested by the Mayor and Council. The Board will be expected to analyze, research, and assess alternatives and make appropriate recommendations to the Mayor and Council.
- Annually review the City's Comprehensive Annual Financial Report (CAFR), Single Audit Report, and all other reports issued by the auditors. The review should encompass and include a management letter and any audit findings.
- Annually review the City's Financial Management Policies published in the City's budget document to ensure Policy standards are being adhered to and are current and represent best management practices.
- Annually review the City's investment policy to ensure policy standards are being adhered to and are current and represent best management practices.
- On a quarterly basis, review the City's cash and investment report when published to ensure compliance with the City's Investment policy.
- Review the City's quarterly financial reports to ensure spending and revenue collection are tracking with adopted and amended budgets, analyzing variances, and highlighting problem areas, and review the City's debt ratio's to ensure compliance with Mayor and Council policies on debt.
- On an annual basis, report on the City's financial condition and make recommendations for improvement based on research of benchmarks and parameters of jurisdictions similarly situated.
- Annually, commencing in FY14, the Board would provide comments, suggestions and should it choose, recommendations regarding the next fiscal year's Operating and Capital budgets as well as five year projections.
- As necessary the Board would review and report on bonding requests, practices and or policies of other jurisdictions as it relates to matters of concern by the Mayor and Council, or any other matter as may come before it by request from the Mayor and Council.

Annually, but commencing in FY14, the Board would provide comments, suggestions and should it choose, recommendations regarding the next fiscal year's Operating and Capital budgets as well as five year projections, prior to their adoption. Commencing with its first meeting, and quarterly thereafter, it would provide any supplemental commentary it may chose to make, regarding the quarterly and annual financial reports provided by staff. As necessary the Board would review and report on bonding requests, practices and or policies of other jurisdictions as it relates to matters of concern by the Mayor and Council, or any other matter as may come before it by request from the Mayor and Council.

1. **Structure and Qualifications:** A five member board, appointed by the Mayor and Council, with overlapping staggered 3 year terms. The Board would select its own Chairperson. The Board would consist of at least three residents of the City and any two others who can demonstrate a stakeholder presence, ideally with at least one member from the Rockville business community, that pays Rockville taxes or fees. Additionally one member of the finance staff would be assigned to assist the Board. The Board would meet a minimum of 4 times per year and on special occasions as needed. One member shall be a Certified Public Accountant licensed to practice or retired and no longer licensed, at least one other shall have experience with financial matters related to larger employers and all members shall demonstrate experience directly in, or related to finance or accounting. Additionally, Board members should be able to read and understand governmental financial statements sufficiently to be able to recognize inconsistencies and report on variances that require explanation and reporting to the Mayor and Council.

**Staffing:** The Board will be staffed by a member of the City's Finance Department.

**Time Commitment:** The Board shall meet at least quarterly at City Hall. The Board may meet more frequently as needed by the Mayor and Council for special assignments or projects. Depending on the topic under review, there may be additional sub-committee time commitment necessary.

**Proposal by Councilwoman Bridget Donnell Newton  
for the Establishment of a Financial Advisory Board**

**For the meeting to be held December 10<sup>th</sup> 2012**

**DRAFT**

**Purpose:** The Purpose of the Financial Advisory Board ( the Board ) is to provide additional resources to assist the Mayor and Council in conducting their fiduciary responsibility in overseeing the financial governance of the City by reviewing current financial policies, procedures, and documents relating to City finances and making recommendations to the Mayor and Council.

**Need:** Management of the City's financial affairs and reporting mechanisms have been well regarded and recognized within the financial community of government watch groups. However, the City faces headwinds stemming from revenue declines and cost increases many of which are outside of the City's control, such as declining property values, increasing employee benefit expenses as well as significant under-funded retiree and employee pension and medical benefit plans. ( It should be noted that at some point in the near future the City may be required to accrue for the underfunded benefit plans which would have a materially negative effect on the City's Balance Sheet, which in turn could jeopardize the City's coveted AAA rating. ) Managing these headwinds will result in difficult choices as well as require a financial skill set with experience in creatively dealing with budget deficits to assure our citizens that we deliver the basic services as well as the amenities they have become used to receiving, all at an affordable level. Currently the Mayor and Council receive budget proposals from the skilled financial staff of the City who prepare them. The Council and staff would be well served, at little expense, by a body of stakeholders who possess the required skills, to receive advice, suggestions, and comments, assisting the Mayor and Council in evaluating the proposed budget and possibly providing insight into various alternatives.

The Mayor and Council are given financial information and instruction throughout the year that is tailored to their time constraints and knowledge base. A standing body of qualified members whose focus is purely financial and whose term overlaps those of the Council members could devote more time and could review on a more detailed basis quarterly financial information, bonding requests, economic incentive offers, create a knowledge base of surrounding jurisdictions' approaches to financial affairs and policies, and act on any other financial matter that the Mayor and Council may direct, serving to augment the knowledge of the Mayor and Council and possibly provide supplemental material in concert with the finance staff.

**Goals:** The goals of the Financial Advisory Board are to achieve the stated purpose of assisting the Mayor and Council regarding financial matters.

**Board Duties and Responsibilities:** The Financial Advisory Board would provide a written narrative in the form of minutes of its meetings as well as related reports that it believes will assist the Mayor and Council. Where no specific action items exist, the Board minutes can

**Comment [01]:** This is a good idea. The specificity of the vision as well as the broad nature of the...

**Comment [02]:** It was asked if this Board is a good idea. I have discussed this many times from the first of the event to the most recent...

serve as the report to the Mayor and Council. The format of any reports would be decided by the Board. It would also be provided time, as requested and is available, to orally present to the Mayor and Council. The first item of business for the Board would be for all members to familiarize themselves with the financial affairs of the City.

Thereafter the Board would :

- Based on financial considerations, review and evaluate any program or proposal for long- and short-term financial consequences as requested by the Mayor and Council. The Board will be expected to analyze, research, and assess alternatives and make appropriate recommendations to the Mayor and Council.
- Annually review the City's Comprehensive Annual Financial Report (CAFR), Single Audit Report, and all other reports issued by the auditors. The review should encompass and include a management letter and any audit findings.
- Annually review the City's Financial Management Policies published in the City's budget document to ensure Policy standards are being adhered to and are current and represent best management practices.
- Annually review the City's investment policy to ensure policy standards are being adhered to and are current and represent best management practices.
- On a quarterly basis, review the City's cash and investment report when published to ensure compliance with the City's Investment policy.
- Review the City's quarterly financial reports to ensure spending and revenue collection are tracking with adopted and amended budgets, analyzing variances, and highlighting problem areas, and review the City's debt ratio's to ensure compliance with Mayor and Council policies on debt.
- On an annual basis, report on the City's financial condition and make recommendations for improvement based on research of benchmarks and parameters of jurisdictions similarly situated.
- Annually, commencing in FY14, the Board would provide comments, suggestions and should it choose, recommendations regarding the next fiscal year's Operating and Capital budgets as well as five year projections.
- As necessary the Board would review and report on bonding requests, practices and or policies of other jurisdictions as it relates to matters of concern by the Mayor and Council, or any other matter as may come before it by request from the Mayor and Council.

1. **Structure and Qualifications:** A five member board, appointed by the Mayor and Council, with overlapping 3 year terms. The Board would select its own Chairperson. The Board would consist of at least three residents of the City and any two others who can demonstrate a stakeholder presence, ideally with at least one member from the Rockville business community.. One member shall be a Certified Public Accountant licensed to practice or retired, at least one other shall have experience with financial matters related to larger employers and all members shall demonstrate experience directly in, or related to finance or accounting. Additionally, Board members should be able to read and understand governmental financial statements sufficiently to be able to recognize inconsistencies and report on variances that require explanation and reporting to the Mayor and Council.

**Staffing:** The Board will be staffed by a member of the City's Finance Department.

**Time Commitment:** The Board shall meet at least quarterly at City Hall. The Board may meet more frequently as needed by the Mayor and Council for special assignments or projects. Depending on the topic under review, there may be additional sub-committee time commitment necessary.

# Review of the Proposal to Create a Standing Financial Advisory Board

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*By Mark M Pierzchala, Rockville Councilmember, January 29, 2013*

This review consists of (1) general remarks, (2) the December 10, 2012 proposal with reference numbers inserted, and (3) a detailed critique of the proposal. Mark Pierzchala is responsible for all text below including all opinions. The Finance Department provided some factual information and checked facts.

## **Mark Pierzchala General Remarks**

The proposal is an ill-devised solution to a problem that does not exist. Many of the duties outlined in the proposal are different than those communicated to me in 2009 which was 'to scrub the budget'. The proposal has evolved over time to create a board, now just for the sake of creating a permanent board.

The proposal communicates a fundamental distrust of the Finance Department. The oversight or compliance items question the ability of the Finance Department staff to do their jobs. It implicitly understates the professional qualifications and comportment of the Finance Department staff. If there is a problem with staff, no such Board is going to correct the problem. It is the duty of the City Manager to correct such a problem, if it exists. But Rockville's Finance Department is a well-run department that, in my years of watching and participating, has always responded to Mayor and Council needs and has more than fulfilled their duties and has done so accurately and responsively.

The bulleted items would require vast citizen resources. No other board or commission operates in the manner that this board would operate. The definition of its duties could, on a strict reading, literally displace City Staff at Mayor and Council meetings. Alternatively, the Board could give its report and then the Finance Department could give its report; then what do you do with disagreements. In my experience with the Finance and Budget Task Force (and it's offshoot that looked at debt limit measures), there aren't the numbers of people or the number of citizen hours to fulfill these duties.

The Board is intended to be a citizen board. But these would be political appointees and they would not be at a remove from the policy making, as is say the Environment Commission. If the Board as proposed is not immediately abused it will be abused at some point in its life.

## **Citizen Involvement in Budget and Finance Affairs**

When I consider how citizens can and should become involved in these matters, I have heard mentioned these areas: (1) budget advice, (2) oversight, (3) policy review, and (4) methodology. The first two are non-starters in my opinion. The last two can use citizen involvement in carefully prescribed ways, but in my opinion a standing Board would not suit due to the diversity of topic and expertise required.

## **Budget Advice**

There is already a citizen body that considers budget, and that is the Mayor and Council who are elected specifically for their points of view on the budget (and other matters). It is only the Mayor and Council who have to explain to the voters their points of view and then answer for their actions at the polls. A

budget is primarily about making choices. The choices themselves are not difficult to understand; in fact are quite easy to understand. It is a duty of Mayor and Council to understand the choices, to understand the tradeoffs between the choices, and to seek the help they need to understand these items.

Citizens have several avenues to comment on the budget. Formal avenues include budget hearings and hearings on specific policy items. Citizens do make use of these opportunities. Additionally, we hear all the time from citizens. This input comes from citizens' forum, personal discussion, and emails.

### **Oversight**

Oversight duties undermine the Finance Department and portray distrust in this Department's execution of its duties. The Finance Department is well run and thus the oversight items below should have little interest to prospective Board members (they would be checking that skilled professionals are doing their jobs). If there is a problem with the execution of the Finance Department duties, it is up to the City Manager to sort it out.

### **Policy Review**

There are many City policies that impact Rockville finances. The Finance and Budget Task Force did include a policy review. This was an overall review of the policies themselves, not of the City's compliance with the policies. These kinds of overall reviews should be periodic and at wide intervals (e.g., 5 to 10 years). City Staff already monitor State and Federal law changes that require changes to the City's policies, and these policies are adjusted as needed.

There are direct policies (such as Financial Management Policies) and indirect policies that impact the City's long-term financial health. These include development policies, Incentive policies (or lack of), environmental policies (economic positive or negative), and retirement benefit policies. These policies could be brought up for review at wide intervals. But the topics are so diverse that a standing body would not have the expertise to address all these issues. This kind of policy review addresses longer term issues and the body can take more chronological time to do its job correctly.

I would also advocate that these reviews be the shared responsibility of the citizen body and of City Staff. There is no reason to set up an opposing body. It would be better to have contributions from the citizens and from those who have to execute the policies.

### **Methodology**

This is a kind of contribution that should supplement staff expertise; not replicate staff expertise. Methodology means the manner in which a particular task is accomplished. The Finance and Budget Task Force had a few methodology suggestions in how to improve the budget book and how to improve the budget-making process.

A few examples include (1) the methodology of the 5-year projections, (2) definition of financial time series over the years to inform the history of Rockville's budget choices over the years, and (3) how to better portray potential budget tradeoffs including impacts on financial projections and especially with respect to CIP future needs. Each of these suggestions requires a totally different skill set, and these are

skills not necessarily to be expected in a Finance Department. (These examples would make use of econometric, statistical, and data visualization expertise, respectively.)

### **Task Forces vs. a Standing Board**

The two areas that are suited for citizen involvement, policy review and methodology review, are best suited for task forces. There are a few big reasons for this. First, the diversity of subject matters requires different skill sets. Second, it is relatively easy to find citizens to commit a large amount of time over a several month period. It is much harder to find citizens willing to do that for a long period of time.

Task forces are ad-hoc. Any finance related standing financial board should be created in the City Code along with its specific duties, products, and commitment expectations. No board should exist for an oversight function, to replicate City staff duties, or to replicate Mayor and Council duties.

### **Manner of Citizen Involvement**

Citizens should work on important long-range issues. They should have the time and resources to do the research and analysis adequately. There should be only broad time frames for the completion of their work. It should be realized that citizens on boards, commissions, and task forces are busy people and that they commit time when they have it.

I don't see the merit of a politically appointed standing board that would constantly intrude on Finance Department duties or have a special standing to weigh in on budget decisions which are the purview of the Mayor and Council.

Finance-related task forces should present factual data, relevant context, and alternatives. They should not be making value judgments.

I would not do anything that obscures responsibility. A Board that duplicates Finance Department duties would obscure responsibility.

I would avoid any finance-related board or task force that would give it fiduciary responsibility or require it to be insured. I don't think that is the intent of the proposal, but we have to be very careful about this.

### **Original Proposal by CM Newton**

Reference numbers are inserted in red bold text. The bulleted items are numbered in red bold text.

### **Proposal by Councilwoman Bridget Donnell Newton for the Establishment of a Financial Advisory Board (1)**

**For the meeting to be held December 10<sup>th</sup> 2012**

**Purpose:** The Purpose of the Financial Advisory Board ( the Board ) is to provide additional resources (2) to the Mayor and Council (3) when conducting their fiduciary responsibility (4) in

overseeing the financial governance of the City by reviewing current financial policies, procedures, and documents relating to City finances and making recommendations to the Mayor and Council (5).

**Rationale:** Management of the City's financial affairs and reporting mechanisms have been well regarded and recognized within the financial community of government watch groups. However, the City faces headwinds stemming from revenue declines (6) and cost increases many of which are outside of the City's control (7), such as declining property values, increasing employee benefit expenses as well as significant under-funded retiree and employee pension and medical benefit plans. ( It should be noted that at some point in the near future the City may be required to accrue for the underfunded benefit plans which would have a materially negative effect on the City's Balance Sheet, which in turn could jeopardize the City's coveted AAA rating.(8) ) Managing these headwinds will result in difficult choices (9) as well as require a financial skill set with experience in creatively dealing with budget deficits (10) to assure our citizens that we deliver the basic services as well as the amenities they have become used to receiving, all at an affordable level. Currently the Mayor and Council receive budget proposals from the skilled financial staff of the City who prepare them. The Council and staff would be well served, at little expense, by a body of stakeholders who possess the required skills, to receive advice, suggestions, and comments, assisting the Mayor and Council in evaluating the proposed budget and possibly providing insight into various alternatives (11).

The Mayor and Council are given financial information and instruction throughout the year that is tailored to their time constraints and knowledge base (12). A standing body of qualified members whose focus is purely financial (13) and whose term overlaps those of the Council members could devote more time (14) and could review on a more detailed basis quarterly financial information (15), bonding requests (16), economic incentive offers (17), create a knowledge base of surrounding jurisdictions' approaches to financial affairs and policies (18), and act on any other financial matter that the Mayor and Council may direct (19), serving to augment the knowledge of the Mayor and Council and possibly provide supplemental material in concert with the finance staff (20).

**Goals:** The goals of the Financial Advisory Board are to achieve the stated purpose of assisting the Mayor and Council regarding financial matters.

**Board Duties and Responsibilities:** The Financial Advisory Board would provide a written narrative in the form of minutes of its meetings as well as related reports (21) that it believes will assist the Mayor and Council. Where no specific action items exist, the Board minutes can serve as the report to the Mayor and Council. The format of any reports would be decided by the Board (22). It would also be provided time, as requested and is available, to orally present to the Mayor and Council (23). The first item of business for the Board would be for all members to familiarize themselves with the financial affairs of the City (24). Thereafter the Board would:

- 1. Based on financial considerations, review and evaluate any program or proposal for long- and short-term financial consequences as requested by the Mayor and Council. The Board will be expected to analyze, research, and assess alternatives and make appropriate recommendations to the Mayor and Council. (25)

- 2. Annually review the City's Comprehensive Annual Financial Report (CAFR), Single Audit Report, and all other reports issued by the auditors. The review should encompass and include any management letter and any audit findings. (26)
- 3. Annually review the City's Financial Management Policies published in the City's budget document to ensure Policy standards are being adhered to and are current and represent best management practices. (27)
- 4. Annually review the City's investment policy to ensure policy standards are being adhered to and are current and represent best management practices. (28)
- 5. On a quarterly basis, review the City's cash and investment report when published to ensure compliance with the City's Investment policy. (29)
- 6. Review the City's quarterly financial reports to ensure spending and revenue collection are tracking with adopted and amended budgets, analyzing variances, and highlighting problem areas, and review the City's debt ratios to ensure compliance with Mayor and Council policies on debt. (30)
- 7. On an annual basis, report on the City's financial condition and make recommendations for improvement based on research of benchmarks and parameters of jurisdictions similarly situated. (31)
- 8. Annually, commencing in FY14, the Board would provide comments, suggestions and should it choose, recommendations regarding the next fiscal year's Operating and Capital budgets as well as five year projections. (32)
- 9. As necessary the Board would review and report on bonding requests, practices and or policies of other jurisdictions as it relates to matters of concern by the Mayor and Council, or any other matter as may come before it by request from the Mayor and Council. (33)

**Structure and Qualifications:** A five member board, appointed by the Mayor and Council, with overlapping 3 year terms. The Board would select its own Chairperson. The Board would consist of at least three residents of the City and any two others who can demonstrate a stakeholder presence, ideally with at least one member from the Rockville business community.

One member shall be a Certified Public Accountant (34) licensed to practice or retired, at least one other shall have experience with financial matters related to larger employers or governmental agencies (35) and all members shall demonstrate experience directly in, or related to finance or accounting.

Additionally, Board members should be able to read and understand governmental financial statements sufficiently to be able to recognize inconsistencies and report on variances that require explanation and reporting to the Mayor and Council. (36)

**Staffing:** The Board will be staffed by a member of the City's Finance Department.

**Time Commitment:** The Board shall meet at least quarterly at City Hall. The Board may meet more frequently as needed by the Mayor and Council for special assignments or projects. Depending on the topic under review, there may be additional sub-committee time commitment necessary. (37)

### **Mark Pierzchala Detailed Remarks**

The numbered remarks correspond to the reference numbers inserted above.

1. The name Financial Advisory Board is inconsistent with most of the bulleted items under Board Duties and Responsibilities and other parts of the narrative. Most of the bulleted duties are oversight items. A few others are budget advisory items, and the sense of the elected body is that a budget advisory role is not an acceptable role because budget is the purview of the elected body.

2. A reason to seek additional resources would be to eliminate a deficit in resources. If there is a deficit in resources, the specific deficits should be identified. If the deficit is in staff expertise or in staff time, perhaps the staff should be augmented or adjusted. In my opinion, the Finance Department is an underutilized resource. Some members of the elected body make scant use of the ready staff expertise especially outside of Mayor and Council meetings.

Additional expertise does not necessarily result in better expertise and is more likely to result in aggregate worse information. Additional citizen resources are not likely to match the overall quality and availability of the Finance Department staff. This is not just a matter of individual expertise; it is a matter of working with the data day-in-and-day-out versus the Board having to make relatively quick judgments based on summary data. It is unclear what happens if there is disagreement between the Board and the Finance Department. Finally, the quality of citizen input on financial matters is mixed and some of it is wrong, even by so-called citizen experts. We pay the Finance Department to give us the facts and the City Manager controls their time and the quality of their output. If we have insufficient resources, then that should be fixed within the City Staff.

3. The City Manager and the Finance Department report to Mayor and Council on all items mentioned in this report. If there is a lack of expertise, then the Finance Department is also a recipient of this outside input. Shouldn't the City Manager and Finance Department also be able to suggest study topics?

4. The creation of this Board could easily interfere with the elected body's execution of its fiduciary responsibilities. For example, what if there is disagreement between the Board and City Staff and the elected body takes the advice of the Board? Does that open up the City to a citizen lawsuit? Would the Board be a fiduciary? Perhaps not if its role is advisory, but the number of oversight items in the proposal suggest that it has an official role. What happens if the Board suggests that the City staff change its procedures and the City staff do not take the suggestion? Or, what if it does take the suggestion and things go wrong? The Retirement Board is insured, should this Board also be insured?

5. The phrase "... overseeing the financial governance of the City ..." contradicts the name of the board. The review of the City's policies, procedures, and documents is carried out by the Finance Department, the City Manager, and senior level staff. The paragraph does not define the kinds of

recommendations to be made to the Mayor and Council. However, the word "recommendations" connotes a budget advisory role.

6. We could in fact be seeing a stabilizing of the revenues, even in FY 14 / FY 15. In other words, we could have borne the brunt of the storm (i.e. reduction of revenue) by now. (The latest news from the City's Finance Department (January 2013) indicates that property tax revenues will increase, not decrease.)

7. Few of City costs are totally outside of City control.

**6. & 7. together:** Constrained budgets have been around for decades and centuries. The fact that we're facing challenges is nothing new. These do not, in and of themselves, justify the creation of the Board. The Board, if it is created, will be for the ages. There will be times when budgets are not tight, thus a current financial situation should not be used as justification for the Board. Any standing duties of the Board should not depend on a particular fiscal climate.

8. The City's actuarial consultant addressed this possibility in a recent meeting of the Retirement Board and concluded that a downgrading of the City's bond rating due to this additional reporting requirement is not at all likely. This reporting requirement does not affect the City's financial profile.

9. The difficult choices are well known and easily understood and are the purview of the Mayor and Council. It does not take more than basic financial expertise to understand the choices and their ramifications. The spreadsheet we use in May to arrive at final decisions is an example of how few choices really are in play when the budget is decided.

10. As with item 9., the options are well known and easily understood. The policy choices that have to be made do not require more than basic financial knowledge. It is up to City Staff to present options (based on budget surveys and other input from the elected) and their ramifications. The term "creative budget choices" should not be in a justification document. The term has certain connotations and makes it seem that there are ways to avoid making choices, if only we look at things differently.

11. It is unclear from whom the body of stakeholders (a.k.a., the Board) are receiving advice, suggestions, and comments. A good part of this paragraph is concerned with budgetary advice. This is the purview of the Mayor and Council. The elected members need a basic level of financial skill to understand the choices. Providing insights into various alternatives is a Finance Department task.

12. The Mayor and Council are given financial information according to the needs of the City, and this information should not be tailored to time constraints or knowledge level of the elected. Members of Mayor and Council should make time to understand the information including the time needed to seek out help or explanation from City Staff.

13. It is hard to imagine a standing body whose focus is purely financial unless it is an oversight body or a methodology body. If it is an advisory body, any budget recommendation necessarily involves value judgments that are the purview of the Mayor and Council.

**14.** It is very unlikely that Board members will devote more time on budget matters than the Mayor and Council, or that they will have a considerable amount of time to give, especially if the time is needed in the short term. See comments on item 25 below about Task Force involvement.

**15.** The quarterly reports are easy to understand and the Finance Department brings to the attention of the Mayor and Council any note-worthy issues. If the idea is for the Board to review data in greater detail, then this is an additional burden on staff to produce more detailed reports. But these reviews are already done internally; there is no need to replicate them.

**16.** Bonding requests come from Mayor and Council and are matters of policy. An exception is for conduit bonds, the support of which is also policy decisions by Mayor and Council. If this item is about conduit bonds, it contradicts Rockville's recently adopted policy. In any case, this role is not necessary.

**17.** Economic incentive offers are confidentially decided in executive session and the details of the deal are not publicly revealed. This whole process can be improved, but it is difficult to see how the Board would be in a position to contribute to specific decisions.

**18.** How other cities operate, what they operate, what their values and priorities are, their particular histories, the financial legacies they deal with, their local economic conditions, and more, are all different and quite idiosyncratic. What they're willing to put up with (e.g., the condition of their infrastructure) differs. All of these differences between cities make it difficult to compare financial profiles. Some specific items can be monitored and this comparison is ongoing.

For example, Rockville continually monitors other jurisdictions for items such as the rate of pay by position and how cities approach retirement and benefits. Senior staff participates in City Manager, City Clerk, and City Attorney associations and conferences, and professional staff participates in their respective professional associations. All these activities contribute to the continuing monitoring of Rockville's approaches with respect to other cities. The use of outside consultants (item 25 below) is an additional method of comparing and standardizing approaches across cities. The same is true of the auditing function and adherence to GASB standards. Rockville monitors its citizen opinions on its performance through the use of the biennial citizen survey.

**19.** This clause needs to be tightened and circumscribed. Anything the Board takes on should not be associated with a current hot topic, or short term concern, nor should this body replicate anything that is done by the Finance Department.

**20.** Mayor and Council should rely on its professional staff for any special financial materials. If the professional staff cannot provide this information, they should rely on professional contractors, or on a citizen task force, if it can be formed, where members should be chosen on the required expertise.

**21.** The Board minutes are not going to be very useful to Mayor and Council. The resolution that creates the board should prescribe the content of reports that Mayor and Council should receive.

**22.** If the Board serves the Mayor and Council, the elected body should prescribe the reports and their content. It would be odd for the Board to decide what the Mayor and Council need to know.

**23.** It appears that Mayor and Council would get a report from the Finance Department and one from the Board on the same topic. This would undermine the Finance Department and reduce its public credibility. If there is disagreement, what do we do with it?

**24.** Okay, everyone takes a few hours to become familiar with the financial affairs of the City, and then they're ready to go, to be considered as experts, to lend their gravitas to our discussions?

**25 through 33:** All these items are Finance Department duties. These items contradict one of the newly stated goals in the December 3 green sheets (not to replicate Finance Department duties). They jointly undermine the department and portray distrust in this Department's execution of its duties. The Finance Department is well run and thus the oversight items below should have little interest to prospective Board members (they would be checking that skilled professionals are doing their jobs). The budget-related items are the purview of the Mayor and Council and it is what this body is elected to do.

**25. Bullet 1:** This item is a duty of the Finance Department. Issues with this bullet include that of accountability (who is responsible if finances are wrong, the Board or the Staff), what would be involvement of staff, would the Board have the resources to be timely, what access to internally held data would they need, and what is the overall operability between the Board, Staff, and the elected. Additional notes include:

Data derived from City Systems: Recent examples of the Finance Department providing factual data, projections (sometimes), and alternatives (sometimes) include:

1. RHE acquisition of Fireside Park Apartments
2. RedGate finances
3. Trash collection
4. Water system renewal
5. Six recent budget-related work sessions requested by Mayor and Council

The first three of these examples were hotly contested political issues, a few of which took years to resolve. For the fourth, there is an ongoing concern over water rates. The collection, analysis, and presentation of the data took a lot of Finance Department work and there were follow-up questions to be answered on the spot or in a tight time frame. In all these examples the Finance Department and other City departments provided solid data, including ad-hoc data. For example, during the RedGate issue, the Mayor wanted information on the cost of other recreation and park facilities. The Mayor and I sat down in her office, specified the information required, and the Finance Department quickly provided the information including follow-up information. Only the Finance Department is in a position to quickly produce the summary data and to respond quickly to follow-up questions.

Contractor provided information: Some issues require contractors; recent examples include:

1. Pension cost/benefit analysis of design changes
2. Impact Fee Study
3. Cost Allocation Plan (CAP)

4. User fee Study
5. Utility Rate modeling
6. Fiscal Analysis associated with development
7. Hotel tax audits
8. National Golf Foundation RedGate study, (followed by an RFP to determine alternatives)
9. 2008 study of employee pay rates and benefits

These studies required special expertise. The contractors perform this work around the region or the country. Their expertise is exercised in many settings. They develop adaptable financial models that are used and tested in different cities. They can respond to the time frames required by the City.

Staff report: There was one recent report executed by a member of the Department of Public Works.

1. Report on the optimal frequency and best practices of asphalt replacement and maintenance.

This report was based on research conducted from traffic-related institutes across the country. It showed that Rockville could switch from a 10-year asphalt replacement cycle to a 12-year cycle.

Task forces: There are recent Finance-related task forces or groups. They were formed by Mayor and Council or the Summit process. These are:

1. Finance and Budget Task Force
  - a. Budget book
  - b. Budget-making process
  - c. Financial Management Policies
2. A subset of the Task Force with follow-up work on debt limit measures (related to 1c above).
3. The City Services and City Budget working group of the Rockville Summit

The work performed by the task forces (1 and 2) took months to complete. The number of hours required were many, and it would have been difficult for task force members to provide the number of required hours in a shorter time frame. (And the task force assignments were relatively limited.) The topics covered by the Task Forces and Summit Group were longer range in nature, and not needed for current policy decisions.

In all of the items listed above, the purpose of the City Staff, the contractor, or the Task Force was to present data, projections, and options to the Mayor and Council. It is always up to the Mayor and Council to understand well presented data and to make the policy decisions.

Note to underscored items above: The range of topics and expertise given in the examples above is noteworthy. No single person or group of people will have the range of skills necessary to execute these tasks. There is a variety of resources that City Staff can draw upon including their own expertise and the use of contractors, and where appropriate, Task Forces of specific expertise.

**26. Bullet 2:** The Comprehensive Annual Financial Report (CAFR) is produced by City Staff and is audited by the auditors. Any management letters, single audit reports, and findings are produced by the auditors. The auditors work for the Mayor and Council and report to the Mayor and Council.

The CAFR is a large and complex document that is used by bond rating agencies, bond issuers, and the like. Some of its detail is fairly easy to understand, other items require government accounting background.

On the other hand, we have measures and standards in place such as debt limit measures, values of our assets, and money in the reserve that are reported in the budget documents. When we issue debt, we are given a bond rating. A review of the CAFR by the Board would not improve understanding of the City's financial position. Relevant measures are already available in the budget documents.

The management letters, single audit reports, and other auditor findings (if any) are easy to understand and speak for themselves. If there are any issues, the auditors inform Mayor and Council, tell staff what to do to fix the issue, and then check that it is done.

Any Finance Department issues found by the auditor in recent years have been minor and have been corrected.

**27. Bullet 3:** This item is a duty of the City's Finance Department. City Staff keep up with the Federal and State laws and request changes to the policies that should be implemented by Mayor and Council. There is a question of who would be responsible if the Board failed to do this task (say they didn't have time or they didn't have members with appropriate qualifications). There can be periodic review of Financial Management Policies themselves (as opposed to compliance, and as the Finance and Budget Task Force did), but this is not an annual task. It may be an every 5- or 10-year Task Force task.

**28. Bullet 4:** Same or similar comments as for bullet 3.

**29. Bullet 5:** This item is the responsibility of the City's investment officers who work in the Finance Department. The ultimate responsibility resides with the Finance Director.

**30. Bullet 6:** The tracking of revenues and spending is the job of City Staff, namely the budget analysts in the Finance Department. It is also the job of the Department Heads, the Division Chiefs, and project managers. Most variances are timing issues, for example, having to do with the number of pay periods falling in any given quarter. The review of the City's debt ratios is done by City Staff and these are published in the Budget documents as well as the quarterly reports. The recalculation of these ratios is done once a year (with the budget cycle) or as debt is issued. There are computer systems in place in the Finance Department that track these issues.

**31. Bullet 7:** It is the job of the Finance Department to report on the City's financial condition, including making recommendations to maintain or correct its condition and to provide alternatives for doing so. Reference to neighboring jurisdictions is not the best means of determining needed improvement (see point 18 above).

**32. Bullet 8:** This is a budget item and it involves value judgments. A proposed budget is the purview of the City Manager by law, and the proposed budget is based on input from Mayor and Council and City Staff according to the needs of the City. Decisions on this item are the responsibility of the Mayor and Council. I could see a task force review of the methodology of the 5-year report (see above), but the actual calculations of the 5-year projections should be trusted to the Finance Department.

**33. Bullet 9:** With respect to bonding requests, see comment 16 above. With respect to practices and policies of other jurisdictions, see comment 18 above. With respect to other matters for study, see comment 19 above.

**34.** The CPA qualification has no special relevance to either budget advice or an oversight role. In the last term, two CPAs gave me wrong information on the Cost Allocation Plan.

**35.** For an oversight role, the qualifications need to be much tightened. It is also unlikely that the City would find enough people with the proper qualifications and with enough time when it is needed to expect them to carry out the oversight consistently. It is unlikely that these people would be found consistently over the years that the Board exists. The CPA requirement has no validity. In general, why have the accounting requirement? The City has accountants and we have an auditor. We should accept that they perform their duties well and that City Staff provide the data they are asked for.

**36.** The recognition of inconsistencies and variances is a City job. Finance Department staff conducts these reviews as a matter of course.

**37.** This is not a time commitment; it is a minimal meeting commitment. The time needed to conduct all the duties prescribed above is substantial and not to be realistically expected from a citizen body, especially when timeliness is an issue.

**Proposal for a Financial Advisory Board – Submitted by Councilmember Tom Moore**

Rockville is fortunate to have a top-notch Finance staff and a history of excellent financial and budget reporting. Something that has cropped up in recent years is the Mayor and Council's periodic need for in-depth research and analysis on very specific financial topics, such as pensions, the format of budget reports, and so forth. The Mayor and Council do not have expertise in selecting the appropriate subject-matter experts to tackle these tasks, nor are we well-equipped to supervise these projects once they are underway.

This proposal addresses both of these shortcomings. The Mayor and Council would appoint three financial professionals to a permanent financial board. Its main task would be to recruit and recommend subject-matter experts for discrete financial research and policy projects that the Mayor and Council might desire, and then supervise the execution, delivery, and presentation of these projects to staff or the Mayor and Council, as appropriate. These are important tasks that are not well-addressed within our current structure.

This approach avoids any encroachment on the jobs of either the City Staff or the governing body. It also avoids the problem of having a permanent board of financial generalists attempting to tackle specific areas of budget and finance that one or more members may be ill-equipped to handle. I appreciate your consideration of this proposal.